



YORK TRADITIONS[®]
B · A · N · K



Eastern
Boulevard

CELEBRATING

10
YEARS

Est. October 2005

SHAREHOLDER *Report*

3rd Quarter / September 30, 2015

MESSAGE FROM THE CHAIRMAN & CEO



November 13, 2015

DEAR SHAREHOLDER:

York Traditions Bank (OTC Pink: YRKB) reported net income available to common shareholders of \$471,000, or 22 cents per share, for the 3rd quarter ended September 30, 2015, compared to \$608,000, or 28 cents per share, for the 3rd quarter ended September 30, 2014. This represents a \$137,000, or 23%, decrease. Net income available to common shareholders for the nine months ended September 30, 2015 was \$1,489,000, or 69 cents per share, compared to \$1,519,000, or 70 cents per share, for the same period last year. This represents a \$30,000, or 2%, decrease. Book value per common share stood at \$13.29 at September 30, 2015, an increase of \$0.67 since December 31, 2014.

We continue to take advantage of a strengthening residential real estate market and low interest rates. Gains from the sale of residential mortgages total \$2,460,000 so far in 2015, an increase of \$999,000 compared to the first nine months in 2014. While we experienced a \$3,461,000 decline in loan balances during the 3rd quarter due to unusually high prepayments, loans have grown 1% from one year ago and 2% since December 31, 2014. Deposits have increased 15.3% from one year ago and 10.6% year-to-date. These factors minimized the increase in net interest income which is up \$208,000, or 3%, year-to-date. The increases in income helped offset higher other expenses significantly related to our new branch in Hanover and several Cyber Security and growth-related technology initiatives. Despite modest increases in nonperforming assets and loan charge-offs, our credit quality remains satisfactory.

On March 27, 2015, the Bank completed a \$5 million aggregate principal amount of subordinated notes due March 27, 2025 with

a 6.25% interest rate. The Bank also repaid \$5,115,000 of preferred stock on March 31, 2015 as part of the United States Treasury's Small Business Lending Fund (SBLF). The SBLF preferred stock was considered Tier 1 capital and the subordinated notes are Tier 2. As a result, the Tier 1 capital/average assets ratio fell from 10.80% at December 31, 2014 to 8.49% at September 30, 2015. The Bank remains well capitalized as defined by banking regulators. Following the issuance of the more permanent subordinated notes, the Bank executed a \$32 million leverage strategy acquiring high quality investment securities funded by Federal Home Loan Bank borrowings. As a result, investment securities increased \$30,660,000 since December 31, 2014, and the net interest margin fell to 3.16% for the 3rd quarter compared to 3.62% for the same period last year.

We are pleased with the traction we have made in the Hanover Market during our first 11 months. Additionally, the successful conversion of our Online and EFT Banking systems earlier this year have positioned us to expand our technology-based services to businesses and individuals. Our new Mobile Deposit service for consumers was launched in October. Lastly, our market is experiencing unprecedented change due to bank mergers that will subsequently consolidate three banks that were previously headquartered in Central Pennsylvania. We believe York Traditions Bank represents a compelling value proposition for those seeking a true, local partnership with their bank. These opportunities will ultimately create profitable growth and shareholder value.

Thank you for your ongoing investment and support.

Michael E. Kochenour

Founder, Chairman & CEO

FINANCIAL HIGHLIGHTS *(unaudited)*:

(Dollars in thousands, except per share data)

SELECTED FINANCIAL DATA	SEPT 30, 2015	DEC 31, 2014	SEPT 30, 2014
Investment securities	\$ 65,875	\$ 35,215	\$ 36,515
Loans, net of unearned income	241,849	237,798	239,320
Total assets	342,351	300,231	302,182
Deposits	274,144	247,860	237,688
Borrowings	32,833	18,390	31,251
Subordinated debt	5,000	-	-
Shareholders' equity	29,097	32,815	32,316
Book value per common share	\$ 13.29	\$ 12.62	\$ 12.46
Allowance/loans	0.93%	1.08%	1.05%
Non-performing assets/total assets	1.21%	0.74%	0.80%
Tier 1 capital/average assets	8.49%	10.80%	10.84%

SELECTED OPERATIONS DATA	THREE MONTHS ENDED SEPT 30,		NINE MONTHS ENDED SEPT 30,	
	2015	2014	2015	2014
Interest income	\$ 3,214	\$ 3,035	\$ 9,510	\$ 8,852
Interest expense	(683)	(495)	(1,881)	(1,431)
Net interest income	2,531	2,540	7,629	7,421
Provision for loan losses	(135)	(60)	(270)	(196)
Investment securities gains	-	6	-	12
Gains on sale of mortgages	801	583	2,460	1,461
Other income	265	249	769	711
Other expense	(2,798)	(2,426)	(8,472)	(7,170)
Income before income taxes	664	892	2,116	2,239
Income taxes	(193)	(271)	(614)	(681)
Net income	471	621	1,502	1,558
Preferred stock dividends	-	(13)	(13)	(39)
Net income available to common shareholders	\$ 471	\$ 608	\$ 1,489	\$ 1,519
Earnings per common share (basic and diluted)	\$ 0.22	\$ 0.28	\$ 0.69	\$ 0.70
Return on average assets	0.55%	0.83%	0.62%	0.72%
Return on average equity	6.66%	7.87%	6.87%	6.76%
Net interest margin	3.16%	3.62%	3.35%	3.62%
Net charge-offs(recoveries)/average loans	0.31%	0.00%	0.33%	0.00%



Board of Directors

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*Managing Partner,
ROCK Commercial Real Estate, LLC*

JOHN D. BROWN

*Board Director, Blockhouse, Inc.
Managing Director, Blockhouse Properties*

ELIZABETH F. CARSON

*Retired Banking Executive
Community Leader*

EUGENE J. DRAGANOSKY

Bank President

WANDA D. FILER, M.D.

*Founder, Strategic Health Institute
Family Medicine Physician*

WILLIAM R. HARTMAN

*Retired Banking Executive
Community Leader*

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President, Kilker Holdings, Inc.

TIMOTHY J. KINSLEY

Vice President, Kinsley Properties/Construction

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Chairman of the Board

JOHN M. POLLI

President, Dart Trucking Company, Inc.

WILLIAM J. SHORB

President, R.E.H. Holdings, Inc.

Senior Management

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Chairman and CEO

EUGENE J. DRAGANOSKY

President

JOHN D. BLECHER, FOUNDER

*Managing Director, Chief Operating Officer/
Chief Financial Officer*

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Managing Director, Mortgage Services

MICHAEL E. HUSON

Managing Director, Business Services

CAROLYN SCHAEFER

*Managing Director,
Wealth Management and Specialized Banking*

Branch Locations

ST. CHARLES WAY OFFICE

717-747-2610

EASTERN BOULEVARD OFFICE

717-747-2620

SUSQUEHANNA TRAIL OFFICE

717-747-2640

WHITE STREET OFFICE

717-747-2660

EISENHOWER DRIVE OFFICE

717-637-2610

Administrative Headquarters

TRADITIONS CENTER

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York, PA 17402-0136
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Traded online at OTCmarkets.com
under the symbol YRKB